

## **Conventional and reverse knowledge flows in multinational corporations**

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### **Abstract**

Leveraging knowledge from geographically disparate subsidiaries is a crucial source of competitive advantage for multinational corporations (MNCs). This study investigates the determinants of knowledge transfers to and from newly acquired subsidiaries in three transition economies in Central and Eastern Europe. We hypothesize that the determinants of 'conventional' knowledge transfers from MNC parents to subsidiaries and 'reverse' knowledge transfers from subsidiaries to MNC parents are based on different transfer logics. Based on a sample of 105 acquired subsidiaries, we find that organizational characteristics are important in conventional knowledge flows from headquarters, so that subsidiaries acquired with competence-creating objectives receive significantly larger inflows. Knowledge characteristics are important in reverse flows to headquarters so that subsidiaries whose knowledge is more relevant are able to transmit significantly larger outflows. Host country locations have significant moderating effects. The significance of the directional context in knowledge transfers is an important new finding.

Key words: knowledge management; knowledge relevance; acquisitions; multinational subsidiaries; transition economies

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